kaiser commission on medicaid and the uninsured

Health Insurance Coverage of the Near Elderly

Prepared by
John Holahan, Ph.D.
The Urban Institute

July 2004

THE HENRY J. KAISER FAMILY FOUNDATION

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EXECUTIVE SUMMARY

Since the defeat of major health reform in 1994, there have been successful incremental expansions of health coverage to low-income children, and more recently, even to their parents in some states. Another group often included in reform proposals is the near elderly, those between ages 55 and 64. On the whole, the near elderly actually have higher rates of health insurance coverage than other age groups, but adults who are approaching retirement and Medicare coverage at age 65 are a diverse group. Many are decreasing the level of their workforce participation and their incomes in turn are declining. For many others, health status begins to decline in their mid-fifties. These events are often interrelated, e.g., health problems reduce a person's ability to work and consequently their income declines. This paper examines the changes in income, health status, and insurance coverage that occur with the aging of the population, focusing primarily on the nearly 26 million near elderly – those between ages 55 and 64 – and begins to address the issue of whether the case can be made that the near elderly uninsured are another group that warrants taxpayer support.

The health status of the near-elderly population varies by income and retirement status. Those who have retired seem to be in relatively good health. Those who do not work because of illness or disability are very likely to be in fair or poor health. The remainder of the near elderly, the non-retirees—who are the majority of near elderly and include both those in and out of the workforce—in general, are in better health than the ill and disabled, but in worse health than those who have retired. This general finding however, depends largely on income. A large share of non-retirees with incomes below 200% of poverty report being in fair or poor health, with health status improving dramatically as incomes increase.

Those who are too ill or disabled to work tend to have low uninsured rates because of their high rates of coverage through Medicaid and Medicare. Early retirees have high rates of employer-sponsored coverage presumably through previous employers which may have contributed to the decision to retire. But even the ill or disabled and early retirees have higher uninsured rates than the near-elderly average (12% and 17% respectively) if they are low income. In the context of this paper, these rates are considered "high", even though the average

uninsured rate for all nonelderly adults in the U.S. is 17 percent, because this age group has a higher prevalence of chronic health conditions that are difficult and expensive to manage without health insurance.

Many non-retirees, particularly those with low (less than 200% of the federal poverty level) or middle incomes (between 200% and 400% of poverty) have difficulty obtaining health insurance. Among low-income non-retirees, rates of employer-sponsored insurance are relatively low, access to public programs is limited, and private non-group coverage is generally too expensive for them; consequently, their uninsured rates are over 35 percent. Middle-income non-retirees have higher rates of employer-sponsored insurance, but even less access to public programs, leaving almost 17 percent uninsured. Uninsured rates for middle-income near-elderly Americans in general, are higher for those who do not report being in excellent or very good health.

We examined differences in access and utilization for the near elderly comparing the uninsured to those with public or private insurance. In virtually all measures—number of doctor visits during a year, having a usual source of care, unmet health needs, confidence in the ability to obtain care, and (for women) regular preventive screening exams, we found that the uninsured fared considerably worse than those with either private or public insurance. Further, we showed that average per capita medical expenditures for the near elderly were about 30 percent greater than for adults age 45-54, and that the likelihood of having very high expenditures, e.g., above $10,000, increases with age. For example, about 12 percent of the near elderly (compared to 8% of 45 to 54 year olds) had annual expenditures above $10,000 and these accounted for over 60% of total medical expenditures by the near elderly. Thus, medical spending by the near elderly is not only higher, but the risk of very high expenditures also is greater.

We conclude that while insurance coverage for the near elderly is quite good compared with other age groups, a case can be made for premium subsidies, e.g., a Medicare buy-in program or a new group-purchasing arrangement, that offers access to coverage at reasonable premiums. Such an arrangement would necessarily have to provide subsidies for those below 200% of poverty, if not higher. Subsidized premiums for the near-elderly in fair or poor health with chronic conditions or with disabilities should also be considered, given their high levels of medical needs and spending.

INTRODUCTION

There has been a resurgence of interest in insurance coverage issues of the near elderly, with several proposals that include specific provisions for this age group. Some would allow those between the ages of 55-64 to buy into Medicare at an actuarially fair premium, while others would give people in this age group tax credits to allow them to buy group policies in a new purchasing arrangement.

Those approaching retirement and the availability of Medicare coverage at age 65 are a diverse group. The near elderly, as we will show, have higher rates of health coverage than other age groups. But many are decreasing the level of their workforce participation and their incomes in turn are declining. For many others, health status begins to decline in their mid-fifties. These events are often interrelated, e.g. declines in health status reduce a person's ability to work and consequently incomes decline.

Since the defeat of the Clinton health reform efforts in 1994, there have been incremental expansions of coverage to low-income children, and more recently their parents, albeit more so in some states than others. This paper addresses the issue of whether the case can be made that the near-elderly uninsured are another group that warrants taxpayer support.

The paper extends the recent work of other researchers. For example Short et al. argued that there was a strong case for a Medicare buy-in policy for the near

elderly because of the poor health status of the age group.[1] They provided data that showed that disability rates increase and health status deteriorates with age. They showed that there is a gap in coverage for the near elderly with serious health problems which they attributed to the fact that eligibility for Medicaid and Medicare only addressed work-limiting disabilities, not chronic illnesses.

Brennan, using the 1997 National Survey of America's Families (NSAF), showed that adults 55-64 have the lowest uninsured rates of all age groups because of higher rates of employer, private non-group, and Medicare coverage.[2] He also showed that the near elderly were more likely to be in fair or poor health and to have a limiting condition than other age groups. He further provided evidence that the near elderly who were uninsured fared quite poorly compared to their insured counterparts on several measures of access and utilization.

Swartz showed that the near elderly were not homogeneous when it comes to health insurance coverage.[3] She concluded that there were two categories: those with higher incomes, more education, and better health who were more likely to have employer coverage, and a second group which consisted of those with lower incomes, less education, and work-limiting conditions who were more likely to have public coverage but also more likely to be uninsured.

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[1] Pamela Farley Short, Dennis G. Shea and M. Paige Powell, "Health Insurance on the Way to Medicare: Is Special Government Assistance Warranted?" New York: The Commonwealth Fund, July 2001.
[2] Niall Brennan, "Health Insurance Coverage of the Nearly Elderly," Washington, D.C.: The Urban Institute, July 2000. Series B., No. B-21.
[3] Katherine Swartz and Betsey Stevenson, "Health Insurance Coverage of People in the Ten Years before Medicare Eligibility," in *Ensuring Health and Income Security for an Aging Workforce,* WE Upjohn Institute for Employment Research, 2001.

This paper extends this analysis by examining how incomes and health status change for adults between the ages of 19-64, and then explores income and health status data for the near-elderly population in more detail. We analyze how insurance coverage changes over the lifespan of adults and then in more detail how coverage varies among subgroups of the near elderly. We divide the near elderly into subgroups by both retirement status and health status, and by income. We analyze the implications of being uninsured by examining various measures of access and utilization for those near elderly with private or public insurance as compared with those who are uninsured. Finally, we examine how health care spending increases with age, calculating average expenditures as well as the distribution of spending by adult age groups. The central conclusion is that while the near elderly fare well on average, for the low-income or those who are less healthy, insurance coverage problems exist and the consequences seem potentially quite serious.

For the analysis of health insurance coverage, access, and utilization we use the NSAF data for 2002. The NSAF contains a question that asks reasons for not working for those who report that they are not employed. There are several possible responses which allows us to isolate retirees and those no longer working because of health issues. We classify those who report retirement or not working because of age as retirees. Another large group reports not working because of illness or disability. The remainder are regarded as non-retirees. About 80% of non-elderly non-retirees have someone in the family who is a full-time worker; the

remaining non-retirees are in families with only part-time workers or no workers. Non-workers are those who do not consider themselves retired but may be the caretaker for grandchildren or for an elderly spouse, or be simply unemployed. Those working part-time may be doing so voluntarily or may be seeking full-time employment.

We use the Medical Expenditures Panel Survey (MEPS) for data on health care spending. The MEPS is the best source of information on expenditures for health services at the individual level, allowing calculation of the distribution of expenditures among populations.

RESULTS

Income and Health Status of the Near Elderly

Family income increases with age, peaking at age 45 to 54 where median family incomes are $55,153 (Table 1). The percentage of those age 45 to 54 with incomes below 200% of poverty is only 18% and the percent above 400% FPL is 55%. Above the age of 55, incomes decline as individuals age. Median family incomes fall to $47,140 for those ages 55-59 and to $33,920 for those age 60-64. Of those between 60 and 64, 25% have incomes below 200% of poverty and 44% have incomes above 400% of poverty.

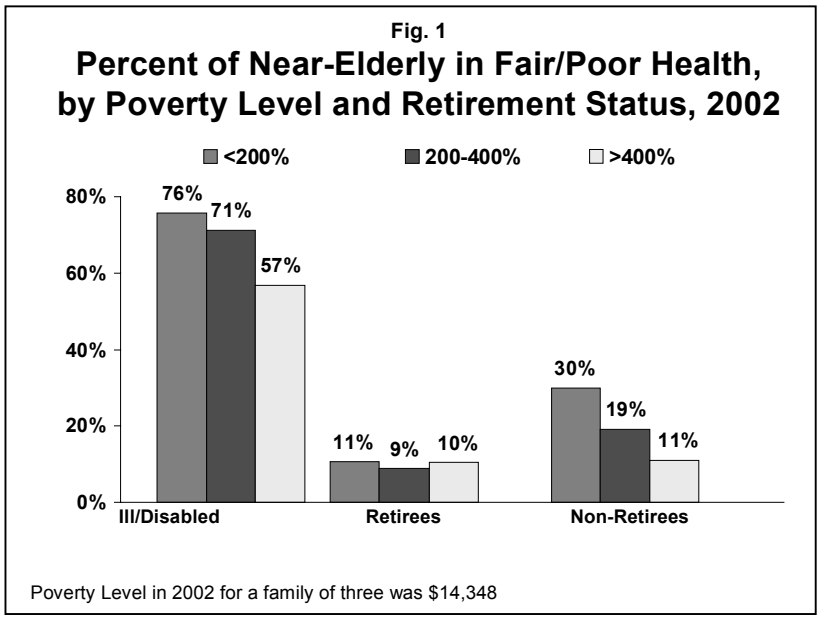
When the near elderly are divided into three employment subgroups (Table 2), the data show that those who are not working because of illness or disability

are in the worst economic situation. The median family income in this group is $16,138. More than half of the group have incomes below 200% of poverty, and only 20% have incomes above 400% of poverty. Retirees are considerably better off, with median family incomes of $36,536. Slightly over 45% have incomes above 400% FPL and only 24% have incomes below 200% of FPL. The incomes of non-retirees are even higher with median family incomes of $51,000, primarily because most have a full-time worker in the household. Only 15% have incomes below 200% of the federal poverty line and 57% have incomes above 400% of poverty.

Health status declines with age but improves with income within each age group (Table 3). The percentage of each age group that report being in excellent and very good health declines from 69% of young adults (between 19-34) to 49% of the near elderly. Similarly, only 9% of young adults report being in fair or poor health vs. 23% of the near elderly. The same results are true at each income level--the percent reporting excellent and very good health declines with age while the percentage reporting fair and poor health increases. Within each age group, the percent reporting excellent and very good health is higher at higher incomes than for corresponding lower income groups. While just 14% of all adults report being in fair or poor health, the share of the near elderly reporting fair or poor health is 42% for the lowest income group, 24% for those in the middle income group, and 14% in the highest income group.

Not surprisingly, the large majority of the near elderly who are not working because of illness and disability (71%) report being in fair or poor health, while another 20% report being in good health (Table 4). Once again, the percent of the ill or disabled who report being in fair or poor health is highest for those below 200% of poverty and lowest for those with incomes above 400% of poverty (Figure 1).

Near elderly retirees are much healthier than non-workers who report illness and disability. About 57% report being in excellent and good health, only 10% report being in fair/poor health. The percent reporting being in excellent and very good health is lowest for those below 200% of poverty and increases with income. Those reporting being in fair and poor health is about 10% in each income bracket.



The health status of non-retirees is somewhat worse than that of retirees. Non-retirees are just about as likely as retirees to report being in excellent or good

health, but much more likely to report being in fair or poor health. This is particularly true in lower income groups where 30% report being in fair or poor health vs. only 11% for retirees. Above 400% FPL, the health status of non-retirees looks fairly similar to that for retirees.

A somewhat similar picture emerges if we examine data on activity limitations by age (not shown). The percentage reporting having an activity limitation increases from 9% for those between 19-34 to 26% for the near elderly. The percent reporting an activity limitation declines as incomes increase. But within each income bracket the percent reporting an activity limitation increases with age. Among the near elderly, those who are not working because of illness or disability report very high rates of activity limitation (over 85%). In contrast, only 17% of retirees report having activity limitations. Non-retirees (15%) are even less likely to report having an activity limitation. For both retirees and non-retirees the percent reporting an activity limitation declines as income increases.

In summary, the health status of the near elderly population varies with retirement status and income. Those who have retired seem to be in relatively good health. Those who do not work because of illness or disability, not surprisingly, are more likely to be in fair or poor health. The health status of those who continue to work largely seems to depend on income—a fairly high share of those with incomes below 200% of poverty report being in fair or poor health. Health status improves dramatically as incomes increase.

Insurance Coverage of the Near Elderly

Health Coverage of Adults by Age

Insurance coverage varies by age and income (Table 5). The top panel of Table 5 shows the insurance coverage distribution for individuals of all incomes. Employer-sponsored insurance increases with age, up to 78% for those age 45-54, and then declines and reaches 70% by age 60-64. Medicare coverage increases with age, yet only reaches 4% between ages 60-64. The share of the population with private non-group coverage is about 5% before age 55, then increases to 6% for those between 55-59, and further to 10% for those age 60-64. The percent uninsured declines with age—from 25.2% for those between age 19-34 to 10% for those ages 60-64. The uninsured rate falls because the decline in employer-sponsored insurance is more than offset by increases in Medicare and private non-group coverage.

The insurance coverage distribution varies considerably by income. For those with incomes below 200% of poverty the percentage with employer-sponsored insurance is slightly below 40% on average but increases to 42% for those between the ages of 60-64. The percent with Medicare and private non-group coverage increases with age, both being highest for those age 60-64. The result is that even for low-income adults the percentage who are uninsured declines with age. Employer-sponsored insurance stays fairly stable among low-income adults across age groups while the share with Medicare and private non-group coverage increases; as a result, the share that is uninsured falls to 27% for

those age 55-59, and 22% for those ages 60-64. In contrast, the average for all adults below 200% of poverty is 37%.

For the middle-income near elderly, the rate of employer-sponsored insurance increases with age peaking at 81% for those 35-44, and declines with each age group thereafter. As with the low-income population, increases in Medicare and private non-group coverage tend to offset the loss of employer-sponsored insurance so that the percent who are uninsured varies little by age beyond those age 19-34.

For the highest income group, about 90% have employer-sponsored insurance, though this declines slightly for those age 60-64. Again, there is a modest increase with age in those with private non-group coverage. The uninsured rates are extremely low (3%) for the near elderly with incomes above 400% of poverty.

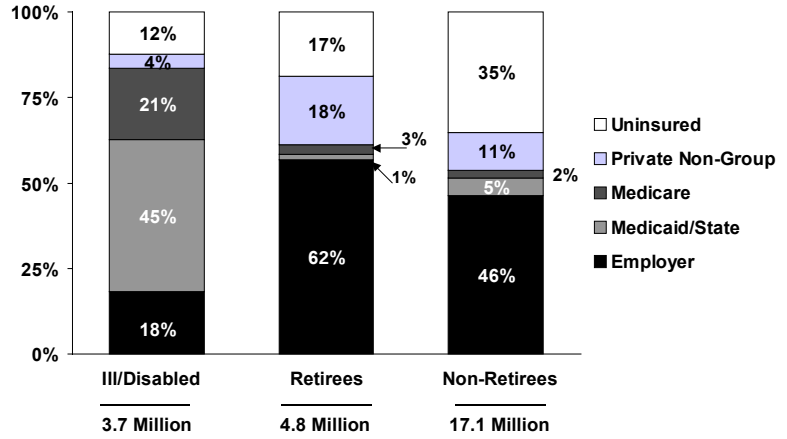
Health Coverage of the Near Elderly by Retirement Status

While uninsured rates are low—just 10% among the near elderly—health coverage varies by retirement status. Those who report not working because of illness or disability have an uninsured rate of slightly under 10%, with almost half covered by either Medicare or Medicaid. The lowest uninsured rate is among retirees, while the highest is among non-retirees. But for each group, health coverage deteriorates with income.

The near elderly below 200% of poverty have quite high uninsured rates (23% vs. 17% for all adults). Employer-sponsored insurance rates are lower for this group. Some of this gap in coverage is made up by Medicaid, Medicare and private non-group coverage, but the end result is a higher than average uninsured rate for the group of low-income near elderly.

Fig. 2

Health Insurance Coverage of Low-Income Near-Elderly, by Retirement Status, 2002



The low-income non-elderly who report being not able to work because of illness or disability have very low rates of employer-sponsored insurance (18%), but they have high rates of coverage through Medicaid (45%) and Medicare (21%). As a result, they have the lowest uninsured rate within the three subgroups of low-income near elderly (Figure 2). Nearly 2/3 of low-income retirees (62%) have employer-sponsored insurance, presumably through COBRA or retiree coverage, but they also have very high rates of private non-group coverage (18%). They have very low rates of Medicare and Medicaid coverage and, as a result, an

uninsured rate of 17%. Uninsured rates are the highest ironically, among low-income non-retirees where over a third are uninsured (35%). Rates of employer-sponsored insurance are actually lower for non-retirees than for retirees; non-retirees are also less likely to purchase non-group coverage.

The middle-income near elderly in general have much higher rates of employer-sponsored insurance. Those who report being ill or disabled have rates of employer-sponsored insurance of only 43%. But they also have high rates of public insurance: 17% are covered by Medicaid and 23% are covered by Medicare. The result is an uninsured rate of 10%. Again, retirees have a very low uninsured rate (4%) primarily because of very high rates of employer-sponsored insurance (86%), likely due to COBRA or retiree benefits. The highest uninsured rate in the middle-income group is among non-retirees (17%). Individuals in this group have high rates of employer-sponsored insurance (75%) but low rates of public coverage and private non-group coverage. Those who are not retired seem to have limited access to health coverage to fill in the gaps left by the lack of employer-sponsored insurance.

The highest income near elderly fare relatively well. Even those who report being unable to work because of illness or disability have rates of employer-sponsored insurance of 68%. They have high rates of Medicare coverage (14%) and private non-group coverage (13%), thus, their uninsured rate is just 3%. Retirees and non-retirees fare well because of very high rates of employer-sponsored insurance (93% and 90% respectively).

Health Coverage of the Near Elderly by Health Status

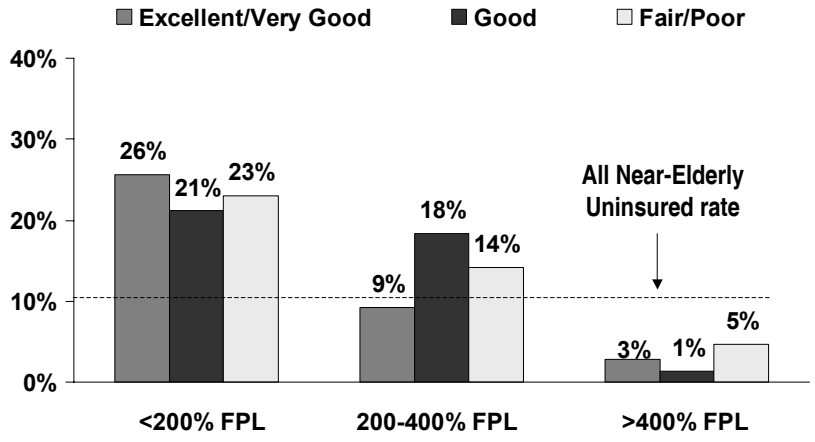
For the near elderly as a whole, those who are in excellent and very good health have very high rates of employer-sponsored and private non-group coverage and as a result low uninsured rates (8%). In contrast, those in fair and poor health have lower rates of employer-sponsored insurance (54%). While another 26% have coverage through Medicaid or Medicare, it is not sufficient to offset the low rates of employer-sponsored insurance, leaving 15% of the near elderly in fair and poor health uninsured.

For the near elderly below 200% of poverty who are in excellent, very good, or good health, almost 50% have coverage through employers. Each have high rates of private non-group coverage but uninsured rates are still over 20 percent. For those in fair or poor health, only 27% have employer-sponsored insurance but very high percentages have Medicaid or Medicare. As a result, the uninsured rate, while high (23%), is no higher than for those low-income near elderly who are in better health status (Figure 3).

The near elderly in the middle-income group who are in excellent or very good health have higher rates of employer-sponsored insurance and private non-group coverage and as a result have uninsured rates of only 9%. Those who report being in good or in fair/poor health have lower rates of both employer-sponsored insurance and private non-group coverage, and thus uninsured rates are 18% and 14% respectively.

Fig. 3

Uninsured Rates of the Near-Elderly, by Income and Health Status, 2002



For the near elderly with incomes above 400% of poverty, rates of employer-sponsored insurance are high and about six percent have private non-group coverage. Of the high-income near elderly in fair or poor health, 6% have Medicare. As a result, regardless of health status, uninsured rates are very low for the high income near elderly.

In summary, the major gaps in coverage are among those with low incomes, where uninsured rates are over 23 percent. Uninsured rates are high for those with low incomes regardless of health status. Those who report being unable to work because of illness or disability have very high rates of public coverage. But Medicare and Medicaid do not fill all the gaps and uninsured rates are still over 12 percent for this group of low-income near elderly. Low-income retirees have uninsured rates of almost 17 percent despite the fact that over 60% have employer-sponsored insurance and almost 18% have private non-group

coverage. But the most vulnerable group appears to be those low income near elderly who are still in the workforce. For this group, uninsured rates are about 35%—more than twice the average for adults of all ages and incomes.

Middle-income non-retirees also have quite high uninsured rates—about 17 percent. This is particularly true for those who report being in good, fair, or poor health. Many individuals in this income group may find private non-group coverage unaffordable and at the same time have incomes too high to be eligible for public coverage.

Access and Utilization

Since health status is generally worse for the near elderly than for other non-elderly adults, the lack of insurance is potentially of greater consequence. We examine differences in various measures of health care utilization and access among the near elderly, with different kinds of insurance coverage. The measures include the likelihood of having a doctor visit in a year, the number of doctor visits in a year, having a usual source of care, unmet need for medical care, surgery, prescription drugs and dental care, confidence in the ability to obtain care, and women having a pap smear and a breast exam in the past year.

The differences reported in Table 8 are regression adjusted, i.e., regression equations are estimated that controlled for insurance, age, sex, work status, health status, activity limitations, and parental status. The coefficients are then used together with the mean values for each of the explanatory variables to predict

differences in access and utilization for, in essence, the average near elderly American as if that person had lacked coverage, had private insurance, or had public coverage.

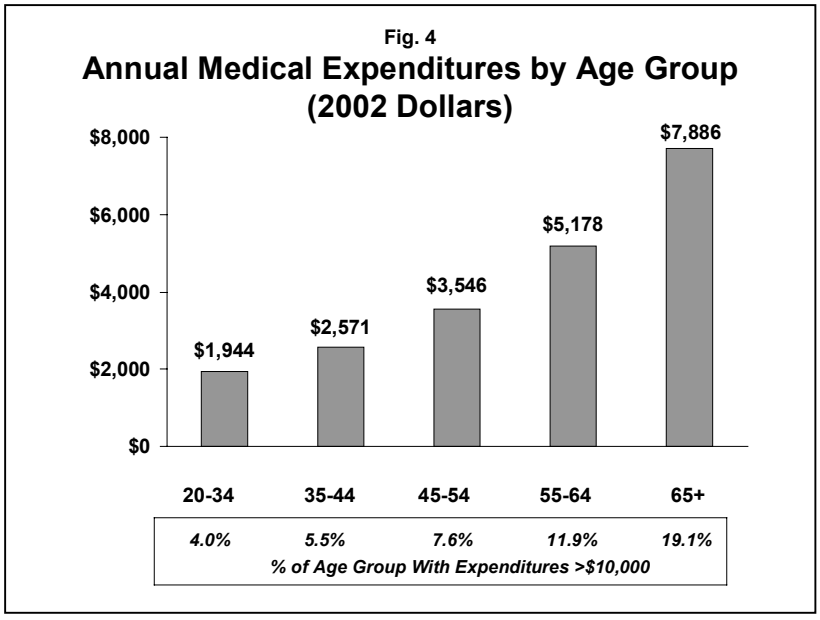
In all but one case, those with private or public coverage were significantly more likely to have a higher level of health care access or utilization than the uninsured. For example, only 59% of the uninsured had a physician visit in the past year as compared with 88% of those with private coverage and 84% of those with public coverage. Many more of the near elderly without health insurance (24%) lacked confidence in their ability to obtain care when needed compared to 8% of those with private insurance and 10% of those with public coverage. Of the uninsured near elderly, 10% reported an unmet need for medical care or surgery vs. 5% of those with private coverage and 6% of those with public coverage.

These results indicate that lack of insurance has a significant effect on access and utilization of services. While the near elderly have lower uninsured rates than other age groups, there are several subgroups of the near elderly with very high uninsured rates. This is consistent with the findings of Hadley and Waidmann who have shown health insurance has a positive impact on health for the near elderly. They further show that future Medicare outlays would be reduced because each age group would on average turn age 65 in a healthier state.[4]

[4] Jack Hadley and Timothy Waidmann "Health Insurance and Health at Age 65: Implications for Medicare," unpublished working paper, The Urban Institute, May 2003.

Health Care Expenditures of the Near Elderly

In this section we look at how health care spending increases with age. Table 9 shows that health care spending among adults increases with age. Spending for the near elderly (those aged 55-64) is, not surprisingly, less than for those over age 65 but higher than those in younger age groups. Expenditures for those age 55-64 average $5,178 vs. $3,546 for those 45-54 (Figure 4).



Out-of-pocket spending is higher for the near elderly as are expenditures made by private and public insurance plans.

Not only is average spending higher for the near elderly compared to other non-elderly adults, the risk of very high expenditures is also greater (Table 10). The upper panel of the table shows that the likelihood of having no health expenditures declines with age, e.g. from 24% for those between ages 20-34 to 9% for those 55-64. But more importantly, the percentage of the population with

spending of at least $10,000 increases from 4% for young adults to 12% for the near elderly. Seven percent of the near elderly have expenditures of $15,000 or more per year. The percentage of the population with spending of at least $10,000 increases to 19% for those over 65.

The bottom panel of the table shows that those with medical expenditures of more than $10,000 account for 61% of all expenditures on the near elderly, vs. 52% for those 45-54 and less for younger adults. Almost half of all spending on the near elderly occurs for the 7% with expenditures of more than $15,000. In summary, health care spending increases with age as does the risk of very high expenditures. This is not only a burden for the near elderly themselves, but also increases the cost of insurance for others who are in the same insurance risk pools, i.e., those with either employer or private non-group insurance who are pooled with near elderly adults.

CONCLUSION

This background report has shown that the near elderly in general, experience declining incomes and many are also experiencing declines in health. But on balance, almost 90 percent have health insurance coverage—more so than other age groups. In other work we have shown that the near elderly also did not

lose coverage between 2000 and 2002 as the economy slowed, while adults below the age of 55 did lose health coverage in large numbers.[5]

The near elderly however are not homogeneous. Those who are too ill or disabled to work tend to have high rates of coverage through Medicaid and Medicare and uninsured rates under 10%. Early retirees also have high rates of coverage but through previous employers; indeed, this may have led them to choose early retirement. However, even among early retirees, there are subgroups who have more difficulty obtaining coverage: 17% of ill or disabled retirees are uninsured and 12% of retirees with low incomes are uninsured. There are also large numbers of non-retirees, particularly low- and middle-income individuals, for whom obtaining health insurance coverage proves difficult. Only half of low-income non-retirees have employer-sponsored insurance and with limited access to private non-group coverage and public programs, over a third (35%) are uninsured – the highest uninsured rate among the subgroups of near elderly we measured.

The near elderly with middle-incomes have higher rates of employer-sponsored insurance, but even less access to public programs, leaving 13% uninsured. Uninsured rates for middle-income Americans are even higher for those who report being in less than excellent or very good health.

The results presented above also show that access for the uninsured near elderly is considerably worse than that for those with public or private insurance,

[5] John Holahan and Marie Wang, "Changes in Health Insurance Coverage in the Economic Downturn: 2000-2002".

even after controlling for health status and other characteristics. In addition, medical expenditures are higher for the near elderly than for other adults. They are much more likely to have high expenditures, e.g. over $10,000, and just 12% of the near elderly account for over 60% of their total expenditures. Thus, the near elderly are not only more costly than younger age groups, but are also at greater risk of high expenditures, creating a potential burden on private insurance risk pools.

The results support the case that the near elderly with low incomes, and even those in the middle income range who have health problems, need assistance in obtaining coverage. These are groups with high uninsured rates who, compared to younger adults, are at greater risk for large medical expenditures. Extending coverage to this group could be done either through providing access to Medicare, or creating a new group purchasing arrangement. Expanding Medicaid to even subgroups of the near elderly seems less feasible at this time given that the near elderly are a high-cost population and states are struggling to maintain their programs' coverage in the face of unparalleled fiscal crises. Alternatively, tax credits for the purchase of non-group health insurance are unlikely to help many of the near elderly unless the value of the credit is substantially adjusted for age or health status.

Under either the buy-in to Medicare or to a new group purchasing model the fundamental financing approach would be the same. Both those with low

incomes and those with high health risks would need to be subsidized. Individuals could be required to pay the full cost of coverage if they have incomes over say 200% of poverty (or somewhat higher). The "full cost" would be based on the average cost per near elderly person if all of the near elderly were to join.[6] In other words, they would not bear the cost of any adverse selection if only the least healthy were to participate. Those with incomes above 200% of poverty who, because of health problems find private non-group coverage expensive, would likely find this a more attractive arrangement, even paying the full premium. Employers could be allowed to buy into this new arrangement if it lowered their cost.

There is evidence that participation rates of low-income near elderly would be quite low without subsidies. Johnson, Davidoff, and Moon showed that without subsidies, very few poor and near-poor persons would participate.[7] But a buy-in program with income-related subsidies would have substantially higher participation rates and would make a significant impact on the uninsured rate for this group. They estimate that the uninsured rate among the near elderly would fall from 10% to 6%. For those with serious health problems, they estimate that a moderately priced buy-in program with no subsidies would reduce the uninsured

[6] John Holahan, Len Nichols and Linda Blumberg, "Expanding Health Insurance Coverage: A New Federal/State Approach" in Covering America: Real Remedies for the Uninsured, Economic and Social Research Institute, Washington D.C., 2001.
[7] Richard Johnson, Amy Davidoff and Marilyn Moon, "Insuring the Near Elderly: The Potential Role for Medicare Buy-In Plans," Washington, D.C.: The Urban Institute, January 2002.

rate from 9% to 6%, and that the rate would fall to 3% with an income related buy-in.

The number of near elderly who might take advantage of this kind of program and the cost to the government is difficult to estimate and is beyond the scope of this paper. But the following provides rough orders of magnitude. Of the 25.6 million near elderly in the U.S. in 2002, 2.0 million had private non-group coverage and 2.6 million were uninsured. Both of these subgroups would be likely candidates to enroll. Another 18.7 million have employer-sponsored insurance, some of whom would choose to enroll if they felt the buy-in program was a better arrangement.

Most likely the number who would enter a buy-in program would be limited to those below 200% of poverty (who would receive significant income-related subsidies) and those in fair or poor health who have higher incomes but for whom the purchase of health insurance may be more difficult. Of those below 200% of the federal poverty line, 1.3 million are uninsured and another 600,000 are in the non-group market. Another 2.2 million have employer-sponsored insurance. For these low-income workers, some employers may find the buy-in program more attractive. Of those with incomes above 200% of poverty there are 3.0 million in fair or poor health not already enrolled in Medicare or Medicaid. Of these, 200,000 have private non-group coverage and 300,000 are uninsured while the remainder have employer-sponsored insurance (most of these would likely stay with their employer coverage but some might opt for the buy-in program). As a

rough total, some three to four million near elderly would likely choose to enroll. Of these, some would pay the "average cost" with the government paying the difference between the premium and actual costs. Others would make partial contributions because the low-income subsidies would not be expected to cover all of the costs of the buy-in.

An advantage of this kind of policy would be to take high risk/higher cost individuals out of the employer and individual market risk pools, lowering premiums for others. In essence, it would spread the financial burden of the high-cost near elderly more broadly than insurance pools in the individual and even employer markets are able to do. Most near elderly are likely to stay with current arrangements, but for those with low incomes or health problems, spreading the risks to a broader base of contributors would both improve access to insurance coverage and access to health care, while spreading the cost to other Americans more broadly.

TABLES

Table 1. Income Distribution of Adults by Age, 2002

	Age 19–34		Age 35–44		Age 45–54		Age 55–59		Age 60–64		All Adults	
	N (millions)	Percent	N (millions)	Percent	N (millions)	Percent	N (millions)	Percent	N (millions)	Percent	N (millions)	Percent
Income Level	**61.0**	**100.0**	**44.3**	**100.0**	**40.2**	**100.0**	**14.2**	**100.0**	**11.4**	**100.0**	**171.0**	**100.0**
<200% FPL	19.8	32.5	10.7	24.2	7.4	18.3	2.8	19.7	2.9	25.1	43.5	25.4
200–400% FPL	20.7	33.9	15.5	34.9	10.7	26.7	3.7	26.1	3.5	30.7	54.1	31.6
>400% FPL	20.5	33.6	18.1	40.9	22.1	55.0	7.7	54.2	5.0	44.2	73.5	43.0
Median Family Income	*$37,108*		*$50,112*		*$55,155*		*$47,140*		*$33,920*		*$45,240*	
Mean Family Income	*$47,624*		*$61,996*		*$68,151*		*$61,853*		*$48,942*		*$57,872*	

Source: National Survey of America's Families (NSAF) 2002
Notes: Adults are age 19–64.

Table 2. Income Distribution of Near Elderly, by Retirement Status, 2002

	55–64, Ill or Disabled		55–64, Retirees		55–64, Non-Retirees		All Near-Elderly	
	N (thousands)	Percent	N (thousands)	Percent	N (thousands)	Percent	N (thousands)	Percent
Income Level	**3667.7**	**100.0**	**4753.0**	**100.0**	**17140.0**	**100.0**	**25560.0**	**100.0**
<200% FPL	2001.2	54.6	1143.8	24.1	2502.2	14.6	5647.2	22.09
200–400% FPL	920.4	25.1	1453.4	30.6	4820.8	28.12	7194.5	28.15
>400% FPL	746.1	20.3	2155.9	45.4	9817.7	57.28	12720.0	49.76
Median Family Income	*$16,138*		*$36,536*		*$51,000*		*$40,500*	
Mean Family Income	*$27,020*		*$47,891*		*$67,000*		*$56,104*	

Source: National Survey of America's Families (NSAF) 2002

Table 3. Health Status of Adults, by Age, 2002

	19–34		35–44		45–54		55–64	
	N (millions)	Percent	N (millions)	Percent	N (millions)	Percent	N (millions)	Percent
All Incomes	60.9	100.0	44.3	100.0	40.2	100.0	25.5	100.0
Excellent / Very Good	41.9	68.8	28.2	63.8	23.2	57.7	12.5	48.9
Good	13.5	22.2	10.9	24.5	10.5	26.0	7.2	28.3
Fair / Poor	5.5	9.0	5.2	11.7	6.6	16.3	5.8	22.8
<200% FPL	19.8	100.0	10.7	100.0	7.3	100.0	5.6	100.0
Excellent / Very Good	11.0	55.7	4.6	42.5	2.4	32.4	1.8	32.1
Good	5.6	28.2	3.2	29.6	2.1	28.5	1.4	25.5
Fair / Poor	3.2	16.1	3.0	27.9	2.9	39.1	2.4	42.3
200 – 400% FPL	20.7	100.0	15.5	100.0	10.7	100.0	7.2	100.0
Excellent / Very Good	14.3	69.2	10.1	65.1	5.6	52.2	3.2	44.7
Good	4.7	22.9	4.0	26.1	3.2	29.4	2.3	31.5
Fair / Poor	1.6	7.9	1.4	8.8	2.0	18.4	1.7	23.8
>400% FPL	20.5	100.0	18.1	100.0	22.1	100.0	12.7	100.0
Excellent / Very Good	16.6	81.1	13.6	75.1	15.2	68.7	7.5	58.7
Good	3.2	15.7	3.7	20.2	5.2	23.5	3.5	27.7
Fair / Poor	0.7	3.2	0.8	4.7	1.7	7.8	1.7	13.6

Source: National Survey of America's Families (NSAF) 2002

Notes: Adults are age 19–64.

Table 4. Health Status of Near Elderly, by Retirement Status, 2002

	55–64, Ill or Disabled		55–64, Retirees		55–64, Non-Retirees		All Near Elderly	
	N (thousands)	Percent	N (thousands)	Percent	N (thousands)	Percent	N (thousands)	Percent
All Incomes	**3664.0**	**100.0**	**4731.4**	**100.0**	**17090.0**	**100.0**	**25480.0**	**100.0**
Excellent / Very Good	329.2	9.0	2678.6	56.6	9453.2	55.3	12460.0	48.9
Good	744.7	20.3	1587.0	33.5	4879.0	28.6	7210.7	28.3
Fair / Poor	2590.2	70.7	465.8	9.9	2755.3	16.1	5811.3	22.8
<200% FPL	**1999.8**	**100.0**	**1126.4**	**100.0**	**2502.2**	**100.0**	**5628.5**	**100.0**
Excellent / Very Good	165.1	8.3	557.1	49.5	1086.8	43.4	1808.9	32.1
Good	322.8	16.1	451.2	40.1	663.7	26.5	1437.7	25.5
Fair / Poor	1512.0	75.6	118.2	10.5	751.7	30.0	2381.9	42.3
200–400% FPL	**920.4**	**100.0**	**1449.1**	**100.0**	**4794.0**	**100.0**	**7163.4**	**100.0**
Excellent / Very Good	41.8	4.5	755.9	52.2	2404.4	50.2	3202.1	44.7
Good	222.4	24.2	566.7	39.1	1467.3	30.6	2256.5	31.5
Fair / Poor	656.2	71.3	126.5	8.7	922.3	19.2	1704.9	23.8
>400% FPL	**743.9**	**100.0**	**2155.9**	**100.0**	**9791.4**	**100.0**	**12690.0**	**100.0**
Excellent / Very Good	122.4	16.5	1365.6	63.3	5962.1	60.9	7450.0	58.7
Good	199.4	26.8	569.2	26.4	2747.9	28.1	3516.5	27.7
Fair / Poor	422.0	56.7	221.1	10.3	1081.4	11.0	1724.5	13.6

Source: National Survey of America's Families (NSAF) 2002

Table 5. Insurance Coverage of Adults, by Age and Income, 2002

	All		Employer-Sponsored		State/Medicaid/SCHIP		Medicare		Private Non-Group		Uninsured	
	N (millions)	Percent	N (millions)	Percent	N (millions)	Percent	N (millions)	Percent	N (millions)	Percent	N (millions)	Percent
All Adults	**171.0**	**100.0**	**120.6**	**70.5**	**9.8**	**5.7**	**2.1**	**1.2**	**9.5**	**5.6**	**29.0**	**17.0**
Ages 19–34	61.0	100.0	37.8	61.9	4.3	7.0	0.1	0.2	3.4	5.6	15.4	25.2
Ages 35–44	44.3	100.0	32.7	73.9	2.5	5.6	0.4	0.8	2.1	4.7	6.6	14.9
Ages 45–54	40.2	100.0	31.5	78.2	1.7	4.2	0.6	1.6	2.0	5.0	4.4	11.0
Ages 55–59	14.2	100.0	10.7	75.5	0.7	4.9	0.4	3.1	0.9	6.2	1.5	10.3
Ages 60–64	11.4	100.0	8.0	70.1	0.6	5.3	0.5	4.4	1.2	10.1	1.2	10.1
Less than 200% FPL	**43.5**	**100.0**	**16.1**	**37.0**	**7.6**	**17.6**	**1.3**	**2.9**	**2.4**	**5.6**	**16.1**	**37.0**
Ages 19–34	19.8	100.0	6.9	35.0	3.2	16.4	0.1	0.5	0.9	4.8	8.6	43.4
Ages 35–44	10.7	100.0	4.1	38.1	2.0	18.5	0.2	2.3	0.5	4.4	3.9	36.7
Ages 45–54	7.4	100.0	2.9	38.8	1.4	18.7	0.4	5.7	0.4	6.0	2.3	30.8
Ages 55–59	2.8	100.0	1.0	37.0	0.6	20.9	0.2	7.3	0.2	8.3	0.7	26.6
Ages 60–64	2.9	100.0	1.2	42.0	0.4	15.6	0.3	10.6	0.3	11.6	0.6	20.2
200–400% FPL	**54.1**	**100.0**	**40.2**	**74.4**	**1.6**	**3.0**	**0.5**	**1.0**	**2.9**	**5.3**	**8.8**	**16.4**
Ages 19–34	20.7	100.0	14.2	68.7	0.7	3.6	0.0	0.1	1.1	5.2	4.6	22.4
Ages 35–44	15.5	100.0	12.6	81.2	0.4	2.4	0.1	0.6	0.6	3.7	1.9	12.1
Ages 45–54	10.7	100.0	8.4	78.1	0.3	2.4	0.2	1.4	0.6	5.2	1.4	12.9
Ages 55–59	3.7	100.0	2.7	72.0	0.1	2.7	0.1	4.0	0.3	7.1	0.5	14.2
Ages 60–64	3.5	100.0	2.4	68.9	0.1	3.9	0.1	3.6	0.4	11.2	0.4	12.3
Above 400% FPL	**73.5**	**100.0**	**64.4**	**87.6**	**0.5**	**0.7**	**0.3**	**0.3**	**4.3**	**5.8**	**4.1**	**5.6**
Ages 19–34	20.5	100.0	16.6	81.2	0.3	1.4	0.0	0.1	1.4	6.7	2.2	10.6
Ages 35–44	18.1	100.0	16.1	88.9	0.1	0.8	0.0	0.1	1.1	5.8	0.8	4.5
Ages 45–54	22.1	100.0	20.2	91.4	0.1	0.3	0.1	0.3	1.0	4.6	0.8	3.5
Ages 55–59	7.7	100.0	7.0	91.2	0.0	0.1	0.1	1.0	0.4	5.1	0.2	2.6
Ages 60–64	5.0	100.0	4.4	86.9	0.0	0.3	0.1	1.4	0.4	8.6	0.1	2.9

Source: National Survey of America's Families (NSAF) 2002
Notes: Adults are age 19–64.

Table 6. Insurance Coverage of Near-Elderly Adults, by Income and Retirement Status, 2002

	All		Employer-Sponsored		State/Medicaid/SCHIP		Medicare		Private Non-Group		Uninsured	
	N (thousands)	Percent	N (thousands)	Percent	N (thousands)	Percent	N (thousands)	Percent	N (thousands)	Percent	N (thousands)	Percent
All Near-Elderly	**25560.0**	**100.0**	**18690.0**	**73.1**	**1286.7**	**5.0**	**931.3**	**3.6**	**2037.6**	**8.0**	**2617.8**	**10.2**
Ages 55–64, Ill or Disabled	3667.7	100.0	1267.6	34.6	1066.9	29.1	737.7	20.1	236.0	6.4	359.4	9.8
Ages 55–64, Retirees	4753.0	100.0	3957.9	83.3	28.2	0.6	59.6	1.3	459.7	9.7	247.7	5.2
Ages 55–64, Non-Retirees	17140.0	100.0	13460.0	78.5	191.6	1.1	134.0	0.8	1341.8	7.8	2010.7	11.7
Less than 200% FPL	**5647.2**	**100.0**	**2231.6**	**39.5**	**1029.1**	**18.2**	**507.1**	**9.0**	**560.6**	**9.9**	**1318.6**	**23.4**
Ages 55–64, Ill or Disabled	3667.7	100.0	364.0	18.2	891.1	44.5	416.9	20.8	81.7	4.1	247.6	12.4
Ages 55–64, Retirees	4753.0	100.0	706.5	61.8	15.7	1.4	29.9	2.6	201.1	17.6	190.5	16.7
Ages 55–64, Non-Retirees	17140.0	100.0	1161.1	46.4	122.4	4.9	60.4	2.4	277.8	11.1	880.6	35.2
200–400% FPL	**7194.5**	**100.0**	**5069.9**	**70.5**	**239.4**	**3.3**	**275.2**	**3.8**	**655.0**	**9.1**	**955.1**	**13.3**
Ages 55–64, Ill or Disabled	3667.7	100.0	398.2	43.3	158.9	17.3	215.2	23.4	56.8	6.2	91.2	9.9
Ages 55–64, Retirees	4753.0	100.0	1246.2	85.8	11.4	0.8	19.0	1.3	122.4	8.4	54.4	3.7
Ages 55–64, Non-Retirees	17140.0	100.0	3425.5	71.1	69.1	1.4	41.0	0.9	475.8	9.9	809.5	16.8
Above 400% FPL	**12720.0**	**100.0**	**11390.0**	**89.5**	**18.1**	**0.1**	**149.0**	**1.2**	**822.0**	**6.5**	**344.1**	**2.7**
Ages 55–64, Ill or Disabled	3667.7	100.0	505.4	67.7	16.9	2.3	105.6	14.2	97.6	13.1	20.7	2.8
Ages 55–64, Retirees	4753.0	100.0	2005.1	93.0	1.1	0.1	10.7	0.5	136.2	6.3	2.8	0.1
Ages 55–64, Non-Retirees	17140.0	100.0	8876.0	90.4	0.2	0.0	32.7	0.3	588.2	6.0	320.6	3.3

Source: National Survey of America's Families (NSAF) 2002

Table 7. Insurance Coverage of the Near Elderly, by Income and Health Status, 2002

	All		Employer Sponsored		State / Medicaid / SCHIP		Medicare		Private Nongroup		Uninsured	
	N (thousands)	Percent	N (thousands)	Percent	N (thousands)	Percent	N (thousands)	Percent	N (thousands)	Percent	N (thousands)	Percen
All Incomes	**25560.0**	**100.0**	**18690.0**	**73.1**	**1286.7**	**5.0**	**931.3**	**3.6**	**2037.6**	**8.0**	**2617.8**	**10.2**
Excellent / Very Good	12520.0	100.0	10100.0	80.7	153.9	1.2	121.3	1.0	1166.8	9.3	976.3	7.8
Good	7227.4	100.0	5458.4	75.5	265.7	3.7	167.2	2.3	563.7	7.8	772.5	10.7
Fair / Poor	5813.2	100.0	3127.1	53.8	867.1	14.9	642.8	11.1	307.1	5.3	869.1	15.0
<200% FPL	**5647.2**	**100.0**	**2231.6**	**39.5**	**1029.1**	**18.2**	**507.1**	**9.0**	**560.6**	**9.9**	**1318.6**	**23.4**
Excellent / Very Good	1826.2	100.0	889.9	48.7	122.2	6.7	54.4	3.0	292.3	16.0	467.3	25.6
Good	1437.7	100.0	692.3	48.2	193.1	13.4	73.4	5.1	174.5	12.1	304.4	21.2
Fair / Poor	2383.3	100.0	649.4	27.3	713.8	30.0	379.4	15.9	93.8	3.9	546.9	23.0
200-400% FPL	**7194.5**	**100.0**	**5069.9**	**70.5**	**239.4**	**3.3**	**275.2**	**3.8**	**655.0**	**9.1**	**955.1**	**13.3**
Excellent / Very Good	3216.0	100.0	2455.3	76.4	30.8	1.0	46.0	1.4	387.5	12.1	296.4	9.2
Good	2273.1	100.0	1551.5	68.3	66.1	2.9	75.7	3.3	161.4	7.1	418.3	18.4
Fair / Poor	1705.4	100.0	1063.1	62.3	142.4	8.4	153.5	9.0	106.1	6.2	240.3	14.1
>400% FPL	**12720.0**	**100.0**	**11390.0**	**89.5**	**18.1**	**0.1**	**149.0**	**1.2**	**822.0**	**6.5**	**344.1**	**2.7**
Excellent / Very Good	7478.6	100.0	6757.3	90.4	0.8	0.0	20.9	0.3	487.0	6.5	212.6	2.8
Good	3516.5	100.0	3214.5	91.4	6.4	0.2	18.1	0.5	227.8	6.5	49.8	1.4
Fair / Poor	1724.5	100.0	1414.7	82.0	10.9	0.6	110.0	6.4	107.2	6.2	81.8	4.7

Source: National Survey of America's Families (NSAF) 2002

Table 8. Differences in Access and Utilization Measures, Regression Adjusted Means, 2002

	All Near Elderly		
	Private	Public	Uninsured
Utilization			
Doctor Visit	87.7%**	84.2%**	59.3%
Number of Doctor Visits	3.9 **	4.7 **	2.3
Usual Source of Care	94.2%**	91.2%**	76.6%
Unmet Need for Medical / Surgery	4.9%**	5.9%**	10.4%
Unmet Need for Prescription Drugs	4.8%**	6.9%**	7.8%
Unmet Need for Dental Care	9.1%**	10.2%**	16.0%
Not Confident in Ability to Obtain Care	8.4%**	10.0%**	23.6%
Pap Smear[a]	62.1%**	49.7%**	42.9%
Breast Exam[a]	73.9%**	58.8%**	41.4%

Source: National Survey of America's Families (NSAF) 2002

Notes: Private coverage includes employer-sponsored or private non-group insurance; public coverage is defined as Medicaid, state, or Medicare.
Regressions controlled for income, insurance, age, sex, work status, health status, activity limitation, and parental status.
[a] Regression adjusted means for pap smear and breast exam categories do not control for sex.
Uninsured is the reference group for statistical comparisons: * Indicates statistical significance at 0.05 level.
** Indicates statistical significance at 0.01 level.

Table 9. Mean Annual Medical Expenditures and Sources of Payment Among Adults, by Age Group, 1998–2000 (2002 dollars)

	20–34	%	35–44	%	45–54	%	55–64	%	65+	%
Total Expenditures	$1,944.5	100.0%	$2,571.2	100.0%	$3,546.2	100.0%	$5,177.6	100.0%	$7,886.2	100.0%
Paid Out-of-Pocket	392.7	20.2%	536.0	20.8%	784.6	22.1%	1,112.1	21.5%	1,504.2	19.1%
Paid by Private Insurance	982.0	50.5%	1,411.8	54.9%	1,911.7	53.9%	2,875.3	55.5%	1,211.2	15.4%
Paid by Public Insurance	350.0	18.0%	371.3	14.4%	440.9	12.4%	768.2	14.8%	4,473.5	56.7%
Paid by Other Sources	216.0	11.1%	251.3	9.8%	406.5	11.5%	415.1	8.0%	695.1	8.8%

Source: Medical Expenditure Panel Survey (MEPS), 1998–2000

Table 10. Total Medical Expenditures by Age and Expenditure Group, 1998-2000 (2002 dollars)

	Age				
	20–34	35–44	45–54	55–64	65+
Total Expenditures			% of Population		
$0	24.1	18.0	12.6	8.9	4.5
$1–$1,000	43.4	40.9	32.9	25.8	17.7
$1,001–$3,000	17.8	22.0	27.0	28.4	27.1
$3,001–$5,000	5.2	6.8	10.5	12.6	15.3
$5,001–$10,000	5.6	6.8	9.4	12.5	16.4
$10,001–$15,000	2.2	2.7	3.6	4.9	6.3
$15,001 +	1.8	2.8	4.1	7.0	12.8
Total Expenditures			% of Expenditures		
$0	0	0	0	0	0
$1–$1,000	8.6	6.6	4.2	2.3	1.1
$1,001–$3,000	15.9	15.1	13.8	10.2	6.6
$3,001–$5,000	10.4	10.2	11.4	9.5	7.6
$5,001–$10,000	20.1	18.5	18.4	16.8	14.7
$10,001–$15,000	13.6	13.1	12.4	11.4	9.9
$15,001 +	31.4	36.6	39.8	49.7	60.1

Source: Medical Expenditures Panel Survey, 1998–2000

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